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The Tabular Ledger

A consideration of the purposes and uses of the tabular ledger, particularly with reference to the accounts of guests of non-profit housing organizations—By John H. Bulin, Jr..

THE facts bearing upon the operation of the tabular ledger here collated and set forth are presented in the hope that those readers who are charged with the operation of such records may obtain a new and clarified understanding of the theory and practical operation of a device of long-demonstrated practicability and value, and that those other readers who are confronted with situations in which a record of this type may be applicable, may have at hand information which will enable them to judge intelligently as to its merits.

As a means for the recording of amounts due from guests, both for the determination of individual balances and for the cumulating of totals of income earned, in institutional, non-profit residences where the charge for the service rendered accrues periodically—weekly or monthly—the tabular ledger, by reason of its easy operation, enjoys wide usage. In full operation, it provides a means of assuring the collection of a stated charge from each guest for each period, and, by reason of the direct entry of charges and the intelligent use of control accounts, reduces bookkeeping work while assuring the maximum of safeguard against error.

It is the purpose of this presentation to outline the operating procedures in connection with the use of the tabular ledger in considerable technical detail, with a view to setting forth the means by which entries and adjustments are made, for explanatory and reference uses. The adjustments which are required in connection with day-to-day operation are discussed at length; it is hoped that the space devoted to this discussion will not create in the reader's mind the thought that the operation of the tabular ledger involves continual adjustment—the facts so set forth are presented for the sake of completeness.

In common usage, the form of tabular ledger is similar to that shown in Form 1 on the following page. Variations, looking chiefly toward analysis of the charges, are found. If desired, several classifications may be used instead of the two in the Charge column. Instead of formal ruling, also, a common practice is to make use of a simple

columnar-ruled, loose-leaf book, with written or typed-in headings for the groups of columns. A fourteen by seventeen inch sheet is found in practice to give excellent results because of the number of accounts and of the number of periods which can be carried on each page. If desired, and if changes in occupancy are not frequent, insert sheets may be used.

In theory, the tabular ledger combines the function of a book of original entry and a record—in the form of a subsidiary ledger—of individual ledger accounts. The direct entry of the periodic charge in the Charge column effects a posting of a debit to the account of the guest whose name appears at the left of the line on which the amount is entered; the summation of the column or columns containing the charges provides totals which are credited to appropriate income accounts and debited to a control account over the subsidiary tabular ledger in the superior authority ledger (usually the general ledger).

The credit entries in the tabular ledger are, in theory, detailed postings of items which are posted in summary to the control account, but the tabular ledger does not perform for these credits the function of a book of original entry. The receipt of cash payments by guests is provided for in the cash records, by means of cash receipt tickets in one form or another, summarized and entered as an original matter in some form of cash receipts book, and the detailed cash receipt tickets are used as the medium from which postings are made to the tabular ledger accounts. Journal entries affecting the detailed tabular ledger accounts are, as a matter of routine bookkeeping procedure, entered in the journal or upon formal journal vouchers.

It is essential to a clear understanding of the functioning of the tabular ledger that its use as a subsidiary ledger record, containing detailed accounts to which postings of debits and credits are made, be kept in mind.

Detailed Consideration

Entry of Charge: In the majority of institutions, the charge for the service rendered is an agreed

rate per period, for a term beginning and ending at noon on a specified day, collectible in advance. In the furtherance of a complete program of interval audit, it is desirable that entry of the charge in the

statistical column is built up, usually in connection with the Balance column, in which entry is made of the number of days each guest has paid for in the period. It is not customary to attempt to deter-

[illegible]

Form 1

Charge column, determined by reference to the Rate column for the room occupied, or by reference to other records of a memorandum nature, be made before the first day upon which collections will be made. The entry of these charges should be made by someone other than the person who will enter the credits, in order that adjustment of the entry for the charge to agree with the amount paid, if there is a difference, will not be practiced. In some instances this audit effect is secured by the rendering of bills by some person other than the one entering the credit; more often bills are not used.

Control over the fact that a charge is entered for each room is secured by listing the guests in sequence of room numbers rather than alphabetically. It is desirable that the names of guests be listed with a space of three or four lines between room numbers, in order that changes and removals may be taken care of satisfactorily. Confusion of a balance in the account of a guest moving to another room or leaving the residence with the account of a new arrival is avoided by entering the name of each new occupant of a room upon a new line under the room number. Memorandum is made on the line for the account of the departing guest thus: "Out, August 6, 19. .," or "To Room No. . . . , August 6, 19. . ." The treatment of unpaid balances remaining will be discussed later.

When all the charges for a specified period have been entered, footing of the Charge columns provides the totals which fulfill the tabular ledger's function as a book of original entry—totals which form the basis of entries debiting the control account and crediting appropriate income accounts in the superior authority ledger. A common practice, if a flat rate per period is charged, provides for an arbitrary apportionment of this rate to income from meals at a determined rate per day, the remainder being considered as income for room rentals. In order to provide information as to the number of meal-days, a supplementary

mine the actual meals consumed for the purpose of this apportionment of income.

Division of income as between meals served and room rentals may be accomplished by providing a separate charge column in the tabular ledger for each classification. Separate totals are thus obtained for use in the journal entries built up from facts recorded in the tabular ledger. Under this procedure, a flat rate per period for meals served is arrived at, which becomes the charge for each guest, the balance of the rate for the period being considered income from room rentals. The use of the method by which the total income is divided upon the basis of meal-days is considered superior as an operating matter, because of the fact that, since the agreement with the guest usually does not provide for a division of the rate, the entry of a single charge in the guest's account makes for clarity, and because of the lessening of clerical detail in respect to footing, cross-footing, and calculation of balances.

Entry of Credit: Payments by guests of amounts due are receipted for by means of receipt tickets, similar to Form 2, made out in duplicate or triplicate, either by the use of simple padded forms with carbon paper inserts, or by the use of a refinement of this procedure in the form of so-called "registers," which greatly facilitate the ease and speed of handling receipts. All receipt tickets are numbered; each shows information with respect to room number, period covered by the payment, and amount of payment. The original is given to the guest and the duplicate serves as the accounting record for the receiving organization. The numbered duplicate receipt tickets are turned in, together with the cash received, to the cashier's office. All receipt tickets are accounted for by number, and the total amount of cash received from all sources is ascertained by staff auditors. This total amount is entered in the cash receipts book and effects a debit to the Cash account and a credit in

the amount covered by receipts for payments by permanent guests to Tabular Ledger Control. Actual posting to the control account is made at the end of the accounting period, when the items entered in the cash receipts book are posted. The duplicate receipt tickets are sorted into the sequence of room numbers of guests, and daily posting is made from the receipt tickets to the Credit column in the tabular ledger against the account of the guest who has made payment. Details are shown as to date, receipt number, and amount.

No. 0000		HILL HOUSE	
Received	 19	
From		Room No.	
In Settlement of the Following Items:			
Room Rental	From	To	
Transient Accommodations	From	To	
Laundry			
Telephone			
Deposit			
..... For the Treasurer			

Form 2

As has been noted, the credit entries for payments made do not provide a proper means of gathering information for posting to the Cash account; this function is performed by the cash records. A total is obtained, however, of all credits to the accounts of guests, and the total of credits by reason of cash payments entered for a specified period is compared, wherever this is feasible, with the amounts entered for that same period as credits to the Tabular Ledger Control in the cash receipts book, in order to check the accuracy of the detailed posting of the credits.

Determination and Entry of Balance: Since the chronological progression in the tabular ledger is from left to right, it will be seen that if the amount paid, as entered in the Credit column, is deducted from the charge against the guest, as entered in the Charge column (the opening balance being taken into consideration), a balance will be secured with respect to each guest, for entry in the Balance column. Debit and Credit balance columns are sometimes found in use; a single column, with red ink indicating credit balances, is, however, pre-

ferred in the interest of conservation of space.

Guests may become delinquent in their payments. Such a condition will readily be apparent by reason of the fact that the Balance column will show a black ink entry against the delinquent guest. Inspection of these delinquent balances will provide information for managerial control. On the other hand, guests oftentimes make payment for one or more periods in advance. Such advance payments cause the entry of a red ink figure in the Balance column, and if they are numerous, may cause the balance of a summary of the accounts in the subsidiary tabular ledger and of the control account to appear as a credit. The total of the Balance column is secured; if no error has been made, the total balance at the end of the previous period, plus the charges, less the credits, will prove the balance at the end of the current period.

When it becomes necessary to carry forward balances from one page to the next, a column for opening balances is provided, as shown in Form 1. Extreme care must be taken to see that the figures are carried forward to the correct accounts; when all balances have been brought forward, it is desirable that an independent reconciliation be effected with the control account.

Use of Recapitulation: A single page will seldom suffice to record the accounts of all guests. Resort is had, therefore, to a system of recapitulation, under which each page is footed and balanced individually, and the totals and balances, and the figures for meal-days, are carried to a page or pages following the pages for detailed accounts with guests. Here the totals are summarized period by period to give figures for posting purposes, usually through formal journal entries, and to give a summary balance, which is reconciled periodically with the controlling account balance.

Journal Entries

As has been stated, the detailed entry of the charges against guests provides totals for entry in the general bookkeeping records of amounts receivable from guests representing income earned. Direct posting of these totals from the recapitulations described is feasible; for closer bookkeeping control, however, formal journal entries are commonly made.

The entries on the basis of the figures obtained from the recapitulation may be made and posted weekly (if the period of the charge is the week) or may consist of summarizations of the weekly recapitulations. If a monthly summary entry is used, the details of the figures comprising the totals are given in the explanation, as is shown in the following entry:

TABULAR LEDGER CONTROL	\$xx (1)	
To MEALS SERVED		\$xx (2)
ROOM RENTALS		xx (3)
MISCELLANEOUS (Posted in Detail)		xx (4)
DEFERRED BOARD INCOME		xx (5)

For income for month of August, 19..., as recorded in tabular ledger as follows:

(detail over page)

Week Ended	Meal-Days	At	Meals Served	Room Rentals	Misc.	Total
Aug. 9.....	xx	xx	\$xx	\$xx	\$xx	\$xx
Aug. 16.....	xx	xx	xx	xx	xx	xx
Aug. 23.....	xx	xx	xx	xx	xx	xx
Aug. 30.....	xx	xx	xx	xx	xx	xx
1 Day, Aug. 31..	xx	xx	xx	xx	xx	xx
			\$xx (2)	\$xx (3)	\$xx (4)	\$xx
6 Days to Sept. 6th.....	xx	xx	\$xx	\$xx	\$xx	\$xx (5)
						\$xx (1)

It will be noted that the week ended August 2nd has not been taken into consideration in the summary for the month of August. This method of treatment is followed for the reason that the income applicable to the month of August for that week was handled in the summary entry for the month of July, in the same manner as the income applicable to the month of September is handled in the entry illustrated. The income for these terminal weeks is analyzed in this way in order that the charges for all income accrued and due may be included in the control account, and in order that an offsetting figure for income not yet earned may appear in the Deferred Board Income account on the balance sheet.

When this procedure is followed, an entry is made in the succeeding accounting period reversing the deferment and crediting current income accounts for that period, thus:

DEFERRED BOARD INCOME.....	\$xx
To MEALS SERVED.....	\$xx
ROOM RENTALS.....	xx
MISCELLANEOUS (Posted in Detail)....	xx
For income, week of September 6th, set up in former account as at August 31, 19.., now credited to September income accounts.	

Alternative Procedure: An alternative procedure consists in the entry and posting of the totals obtained from the recapitulation at the end of each week. When this is done, the apportionment between meals served and room rentals is obtained in the same way as indicated above, and a weekly entry is made as follows:

TABULAR LEDGER CONTROL.....	\$xx
To MEALS SERVED.....	\$xx
ROOM RENTALS.....	xx
MISCELLANEOUS (Posted in Detail)....	xx
For income, week ended, 19.., as recorded in tabular ledger.	

Under this procedure, a similar entry is made for each week's income. At the end of the month, apportionment of the overlapping week is accomplished, along with other month-end adjustments, by an entry as follows:

MEALS SERVED.....	\$xx
ROOM RENTALS.....	xx
MISCELLANEOUS (Posted in Detail)....	xx
To DEFERRED BOARD INCOME.....	\$xx
To set up as deferred income amount of board entered in tabular ledger, week ended, 19.., applicable to month of, 19..	

The effect of this entry is to reduce the income accounts for the current month to their proper figure, and to set up as a real element, appearing on the balance sheet, the credit figure for unearned income. During the succeeding period, the entry is reversed, as follows:

DEFERRED BOARD INCOME.....	\$xx
To MEALS.....	\$xx
ROOM RENTALS.....	xx
MISCELLANEOUS (Posted in Detail)....	xx
To reverse entry setting up deferred income as at, 19.., and to credit to current month income earned in that period.	

The use of weekly journal entries increases the clerical work of posting. Such entries, however, are of value in making possible a weekly reconciliation of the detailed balances with the control account, when the figures for weekly credit totals are available. Where the volume of work is large, frequent reconciliation is desirable. Working conditions in a particular organization will determine which method is to be preferred.

Ledger Account Balances on Statements

The balance of the Tabular Ledger Control account records a net total figure for all the balances of guests' accounts as recorded in the subsidiary ledger, and may be a debit balance or a credit balance, as determined by a predominance of debit or credit balances in the subsidiary ledger. For statement purposes, sound accounting practice does not permit of setting forth this net figure upon a statement of financial position. Analysis is made of the detailed account balances; the total of the debit balances appear among the assets as "Guests' Accounts Receivable"; the total of the credit balances appears upon the liability side of the statement as "Guests' Accounts with Credit Balances."

It will be observed that credit balances may exist, as at the end of an accounting period, in the account for deferred income and in certain accounts with guests in the subsidiary tabular ledger. Both of these items exist as "real elements"—items which must appear on the balance sheet or other statement of financial position. As has been indicated, preferred practice dictates that the total of the credit balances in guests' accounts be shown on the statement as "Guests' Accounts with Credit Balances," or the like, as a liability. The item of deferred board, on the other hand, is not a true liability, but a deferred income item, to be credited to the income accounts of the succeeding period, and as such should be shown in a separate major heading on the statement. This distinction will be understood when it is seen that the deferred board is that portion of the service charge, due and receivable in advance in the current period, to be earned by the service organization in the succeeding period, whereas the credit balances in guests' accounts represent prepayments of amounts not due—i.e., overpayment of accounts receivable, usually refundable in cash upon demand, should the occasion arise.

(Continued on page 29)

Graduation at Pace Institute, New York

Annual exercises held on Saturday evening, November 15,
at the Machinery Club, New York.

Graduation at Pace Institute is a distinctive affair—distinctive in its club-setting in the heart of the metropolis, distinctive in the character of the program, distinctive in the personnel of the graduating class. The details of this pleasing function will be of interest to our readers, who are interested, almost without exception, in proficiency in Accountancy and Business.—THE EDITOR.

AN educational institution which is located in the heart of the financial section of the great metropolis, and which teaches its students every month in the year in daytime classes, in evening classes, and by extension, must depart in many ways from conventional academic procedures. Hence it is that the graduation exercises of Pace Institute are as distinctive as its courses of study, its teaching methods, and its objectives. It is of these graduation exercises for the year 1924 that we now write.

Students are graduated at Pace Institute in November. This month, at first, appears a strange one for concluding a long and intensive course of study—strange because of the common association of springtime and the month of June with college and high-school commencements. In Pace Institute, however, beginning students register in all months of the year; and, because of this fact and because of unequal rates of progress, students complete their three years' study at various times in the year. Moreover, there are two final examinations, one being held in February and one in July. When a student has completed his three years of work, has passed his final examinations in five subjects, covering twenty-two hours of examination work, and has completed satisfactorily his graduation thesis, he is ready for formal graduation. All the students who thus meet the rigorous requirements of the Institute come together in November, at practically the close of the year, to receive their diplomas in the presence of the faculty, the alumni, and their relatives and other guests.

The commodious quarters of the Machinery Club, on the twenty-first and twenty-second floors of 50 Church Street, were utilized for the graduation exercises this year. The program consisted of the graduation exercises proper, of an informal reception held at the close of the exercises, and of a dance that followed the reception. The students graduated, whose names are given later, numbered 116. The total attendance at the exercises was seven hundred or more, and, aside from the graduates, consisted of the faculty, many of the third-year

students of the Institute, who had been invited, many of the alumni, and relatives and other guests of the graduates.

Mr. Homer S. Pace presided, and the musical program was directed by Mr. Joseph C. Myer. The exercises were opened by the singing of a stanza of America, after which Alfred F. Upson, of the law staff, gave greetings from the Institute and the faculty to the assembled guests. Mr. William C. Talley, Jr., a member of the graduating class, most creditably represented the class in the exercises by singing The Road to Mandalay. So great was the enjoyment of the audience that Mr. Talley, later on the program as a special matter, sang again for his appreciative audience. J. Pryse Goodwin, a member of the American Institute of Accountants and with the accountancy practice firm of Barrow, Wade, Guthrie & Co., gave the commencement address. In a peculiarly intimate and effective way, he pointed out the responsibilities and the opportunities of the accountant in public and in private practice and the part that the graduates might be expected to play in the future development of accountancy and in the solution of many pressing business problems.

The engrossed sheepskins, the official credentials for which the members of the graduating class had striven so long and earnestly, were then presented. As the name of each student was called, he advanced to the rostrum and received his certificate from Homer S. Pace. As each student came forward, there was a burst of applause from his personal friends in the audience, and the ceremony was lively and interesting until the last certificate was delivered.

Notwithstanding the fact that no announcement had previously been made of the award of prizes, the Institute awarded a number of gold prizes in recognition of exceptional ability in scholarship and in the preparation of theses. The scholarship prizes were awarded on the basis of results in the final examinations, while the thesis prizes were awarded for merit with respect to constructive thought, English, and technical presentation. It happened, with respect to scholarship, that two graduates received the same average grade, and two first prizes were therefore given instead of one. The scholarship prizes awarded were as follows:

First Prizes—John Herman Bulin, Jr.

William Weber

Second Prize—Anthony A. Keenan

Third Prize—Harry Joseph McSwiney

Fourth Prize—George A. Kelly

The prizes awarded in recognition of special merit in the preparation of theses were as follows:

- First Prize—Carroll Francis Lewis, Subject—Budgetary Control
 Second Prize—John Herman Bulin, Jr., Subject—Tabular Ledger
 Third Prize—John V. Mahoney, Subject—Cigar Manufacturing Costs
 Fourth Prize—John B. Supple, Subject—Wheat Exporting

Many of the theses, aside from those submitted by the graduates to whom prizes were awarded, were of so excellent a character that they received honorable mention at the graduation exercises. The students thus receiving honorable mention were as follows:

Edwin H. Freed, Subject, Branch Accounting; Raymond W. Murphy, Subject, Property Records; David Gellar, Subject, Furniture Storage Accounts; D. Dunthorn, Subject, Oil Cloth Manufacturers' Accounts; Alvin Lichtenberg, Subject, Cigar Box Lumber Manufacturers' Accounts; Herbert D. G. Evans, Subject, Typewriter Ribbon Manufacturers' Accounts; Arthur S. Klafter, Subject, Hotel Accounting; Samuel Grossbaum, Subject, Hatters Supply House Accounts; A. W. Koelbel, Subject, Elevator Manufacture Accounts; John Pegg, Subject, Steamship Operating Procedures; M. R. Herrmann, Subject, Municipal Finances, New York City.

The names of the 1924 graduates are as follows:

Floy M. Abagnale	Bruce William Dold
J. Adair	Paul S. Donnan
Chesley Chapman Barbour	William Kenneth Dorfman
John E. Bloomer	Edward Hartley Dougan
Charles Brownstein	Morris Dworkin
John Herman Bulin, Jr.	Jacob Ellman
Thomas F. Burke	Bernard A. Evans
Everett W. Charters	Herbert Gwynn Evans
Erle G. Christian	John Thomas Foley
Maurice Cohen	Robert R. Folis
John Maxwell Corson	Edwin H. Freed
Frank E. Coyne	Edmund Alpheus Gehan
Thomas Ambrose Cullen	David Gellar
James Joseph Davis	Abraham Gersohn

Walter J. Gill	Hyman Metviner
William J. Gmelin	Carl Joseph Michels
Thomas J. Gorman	George Michie
Benjamin L. H. Goldberg	Francis Moscrop
Samuel Grossbaum	Herman Joseph Muller
J. Harry Grossman	David W. Murphy
Leon Edward Gruber	Joseph Olsson
Arthur E. Hald	Louis R. Orinstein
Frederick J. Haller	John Pegg
Henry G. Hansen	Charles L. Pelton
DeEldon E. Hayner	George Choisy Rayner
Mortimer R. Herrmann	Emil Fred Reid
Saul C. Hertz	Samuel Reiner
Norman Richardson Heywood	Frank A. Reitmeier
Morris H. Horowitz	Edward Richard Rimmels
Thomas Pellew Hoskins	Frank C. Risch
Arthur G. Howgill	Arthur Roth
William I. Huntley	Isaac M. Rothenberg
Justin Jacobs	William W. Scharf
George L. Jones	Herman B. Schell
David Kagan	Abraham M. Schlossberg
George A. Kelly	Harry S. Schmidt
Anthony A. Keenan	William A. Schneider
Arthur William Kettenburg	William E. A. Schrimpe
George E. Kirby	Ernest George Schultz
Arthur S. Klafter	Benjamin Schuster
Arthur W. Koelbel	Milton Daniel Shaw
Joseph E. Krejcu	Francis M. Sheehan
Charles W. Krug	Meyer Slotkin
Wallace Clifford Lamb	Harry V. D. Smith
Edgar Herbert Leander	Benjamin Spritzer
Samuel W. Lerer	John B. Supple
Carroll Francis Lewis	William C. Talley, Jr.
Alvin J. Lichtenberg	Edward Teston
Martin W. Loughitano	Alfred Earle Thibou
Ralph Goldsmith Lowe	John J. J. Tormey
Sol J. Lupoff	Harry Tumarkin
William James McCluskey	Arthur E. Van Denberge
John McFarland	George E. Wasko
Donald McQueeney	William Weber
Harry Joseph McSwiney	William B. Weinberger
John V. Mahony	David D. Weiner
Joseph M. Masheck	Henry G. Wolf
Charles Ronald Mather	Frank C. Wright

Graduation at Pace Institute, Washington

Annual exercises held on Saturday evening, December 6, at the New Ebbitt Hotel.

The attainment of the credential of Pace Institute of Washington justifiably brings satisfaction to the men and women who graduate. In this article, a brief description is given of the graduation exercises of the class of 1924.—THE EDITOR.

PACE Institute of Washington, like the parent organization Pace Institute of New York, carries on its affairs in a distinctive way. This tendency does not end with the distinctive

character and coordination of the courses of study and of the teaching methods employed, but extends as well to the character of the professional tests to which students must submit in order to qualify for graduation and to the character of the graduation exercises. The students, too, give evidence of their distinctive personal qualities by the selection of a course of study everywhere known for its intensive character and rigorous requirements. The term "distinctive" just naturally suggests itself when the Institute, its work, and its students are under consideration.

The distinctiveness and quality of the Institute and the members of the 1924 graduating class were

much in evidence at the annual graduation exercises, held in the New Ebbitt Hotel on Saturday evening, December 6th. There were gathered not only the members of the graduating class, but also a large number of former graduates, many of whom are now in responsible positions with the government or in business; many undergraduates now attending the Institute; the members of the faculty and their families; and also, of course, a large number of admiring relatives and friends of the graduates themselves—fond fathers and mothers, admiring wives and sweethearts, and, in a number of instances, children who had come to see daddies or uncles receive their hard-earned school credentials.

This goodly company met for the purpose of taking part, not only in the graduation exercises, but, as well, in the informal reception and dance that followed—they met for the purpose of spending an evening in which the business of graduation was combined with social relaxation and happiness. This combined and distinctive program was carried out without fault or hitch, and marks another milestone in the progress of the Institute in the educational affairs of the great capital of our country.

Judge Willett, in the natural order of things, presided. Judge Willett, who is dean of the law faculty, presides just as naturally and as effectively as Daniel Webster made a speech. He added much to the satisfaction and enjoyment of graduates and guests. Paul E. Clark, now of New York Pace Institute, formerly dean of the Washington School, journeyed from New York to extend greetings on behalf of the Institute and faculty to the graduates and assembled guests. Mr. Clark spoke in his usual forceful and happy manner, and his many friends among the graduates and guests were pleased to have him present to participate in the exercises. Homer S. Pace, who has, for many years, divided the time he devotes to teaching between the Washington and the New York schools, delivered the commencement address. He spoke particularly of the opportunities that lie before the graduates in both public and private practice. Mr. Pace dwelt upon the community responsibility that rests upon every professional man and, at this time, the responsibility that rests particularly upon men and women who are trained in procedures and methods that tend to disclose and to prevent commercial fraud and other financial crimes, and that promote sound and profitable business procedure.

At the conclusion of Mr. Pace's address, he personally presented the graduation certificates to the members of the class. This part of the program was made interesting by the applause of the friends and relatives of the graduates.

Commencement exercises are likely to be formal and oftentimes a bit uncomfortable. The Institute, however, guarded against such a possibility by the character of the program proper and by making provision for an informal reception and dance that immediately followed the exercises. Washington folks not only enjoy dancing, but know how to

dance, and this part of the program, which lasted until a late hour, was the climax of a very distinctive and happy evening.

The members of the graduating class in Washington, while falling considerably below in numbers that of a year ago, are up to the usual high standard with respect to individual proficiency. The names of the graduating students are as follows:

Allen, Shelby M.	Michigan
Brigham, Frederick L.	Massachusetts
Brown, F. Charles	Illinois
Bumgarner, Marvin Robert	North Carolina
Busby, Raymond G.	Indiana
Charlton, Millard T.	Maryland
Christman, Howard E.	Pennsylvania
Copeland, Wiley	Virginia
Feissner, John E.	Pennsylvania
Ferris, Daniel Joseph	Kansas
Ficks, Louis G.	Kentucky
French, Gardner M.	Massachusetts
Glascok, Edward E.	Maryland
Gregory, Edwin J.	Rhode Island
Howard, D. Kenneth	New York
Johnson, Gilbert	Missouri
Kirkland, James R.	District of Columbia
Kohr, Morgan J.	Pennsylvania
McKinney, Howard N.	New York
Meyer, William F.	Missouri
Morris, Wesley H.	Virginia
Murphy, Raymond W.	District of Columbia
Potthoff, Herbert G.	Texas
Robertson, Rosalie	Virginia
Schulz, Joseph A.	Illinois
Sinker, Julius	California
Spicer, Hazel I.	New York
Strobel, Herman R.	Ohio
Walling, John G.	District of Columbia
Zlotnick, Henry D.	Massachusetts

The Institute offers no prizes, but reserves to itself the privilege of showing special appreciation of exceptional ability in scholarship and in the preparation of theses by awarding prizes in gold. The prizes awarded this year were as follows:

Scholarship: Prize, Millard T. Charlton. Honorable mention: Gilbert Johnson; Gardner M. French.

Attendance: Prize, (perfect record) James R. Kirkland. Honorable mention (absent one session): Gilbert Johnson; William F. Meyer.

Thesis: Prize, F. Charles Brown; subject "Cost and Branch Accounting of an Ice Cream Corporation." Honorable mention: Wiley Copeland, subject, "Internal Revenue Collection Accounting"; Edward E. Glasscock, subject, "Methods of Check and Control Exercised by Accounting Departments of Express Companies"; James R. Kirkland, subject, "Purchasing Coal through the Bureau of Supply for Public Buildings under the control of the office of the Supervising Architect"; John G. Walling, subject, "Hotel Accounting and Auditing."

From "Red" Revolution to Accountancy Study

Thrilling experiences of Pace Student in revolutionary Russia.

A personal narrative by Edward J. Ottoson.

Here presented, in simple words, is the gripping story of a young man who has achieved American status after experiences worthy of the pen of a Dumas or a Hugo—a young man whose study of Accountancy must occasionally be disturbed by the lurid shadows of the past—a plain story, but vibrating with human interest.

—THE EDITOR.

LOOKING back to my past, I remember the time when the first thought came to my mind to emigrate from Russia to America. I was born in St. Petersburg (now Petrograd) and was brought South by my parents when I was about three years old. When I was seventeen, one of my schoolmates and I decided to set off for America when we reached the age of eighteen. But one year later my friend fell in love and married, and, of course, our agreement turned out to be a hollow sound, though I personally did not entirely give up the idea of going to America, but simply postponed the day of my departure.

The year 1914, when the World War broke out, found me still in the south of Russia, in Odessa, a Black Sea port. I was employed as a clerk in the office of the International Harvester Company's Branch. In 1915, I entered military service, and remained in Odessa with one of the rear regiments to get the necessary preliminary training. This was the time when all the trouble and hardship of my life began. Being used to a quiet and peaceful home life, I was suddenly put in the midst of a crowd of uncivilized, cruel, and wicked people with whom I had nothing in common. The sufferings I had to stand can not be expressed in words.

During the time of my training, an order was issued that all individuals who were serving in the Russian army, but who were of German or Austrian origin, should be sent against the Turks; and individuals having anything in common with Turkey should be sent against the Germans or Austrians. Through an error I was included in a list of persons of German origin and transferred to Trans-Caucasia. Though being, from the side of my father, an Estonian, I did not see any reason for arguing, and on I went.

When the revolution broke out, I was one of the great many who believed that Russia stood upon the threshold of a new longed-for life, and who devoted all their time, effort, and ability to the execution of things which fell upon their shoulders. I was elected into the Regiment Com-

mittee, and a few months later I was delegated to serve as a representative of our regiment in the Committee of the Brigade. But I went to my new destination with rather bad feelings, because my enthusiasm and belief in the possibility of creation of a new fair government and the zeal to work were



EDWARD J. OTTOSON

somewhat lessened by some of the incidents which occurred in our regiment. The well-known order No. 1, issued by the "Soviet," disrupted and broke down the whole discipline of the Russian army, and the soldiers took advantage of the "liberty," which they understood in their own way, and did not miss a single opportunity to insult or offend the officers.

One thing is still alive in my memory as if it happened only yesterday, but which really occurred early in the fall of 1917. Our regiment was located in a small village near Tiflis. One day we received a wire that in the neighborhood of our regiment there was operating a gang of robbers who did not spare anybody, and that we should take immediate steps to capture it. An expedition was sent out, and a few hours later a group of Georgians with their carts, horses, and cattle, was brought to our regiment.

Several women and children were among the crowd. During the time that an investigation was being made, all the men were locked up in a bungalow. The news spread all over the village in a twinkling of an eye, and the soldiers started to gather around the bungalow. The crowd gathered quickly and, being instigated by some trouble seekers, got excited and demanded the men be delivered to them for the purpose of lynching. The members of the Regiment Committee (I among them) did our best to avoid trouble, but when the crowd reached its highest point of excitement, we were pushed aside from the door of the bungalow, before which we were standing. The door was broken down, and some of the supposed robbers were pulled out and handled terribly. Stones, penknives, pieces of the broken door, and window frames were used to injure the victims. The sight of blood turned the crowd into a maddened mob, and this bloodshed was only stopped by the patrol. Two of the victims were killed and the rest injured considerably. Soon after that we received another wire from the Headquarters that the robbers were caught and that apparently our expedition made a grievous error. The report of the investigation of the prisoners which came at about the same time, disclosed that the group which had been locked up by our regiment was a group of peaceful Georgian peasants moving with their families and property to a new place. These poor people were immediately released, but two innocent lives were lost and an evil deed done.

You can easily realize just what my feelings were when called upon to represent a mob of this kind in the Brigade Committee. On the other hand, I felt all could not be condemned for the deeds of some of them. I still hoped that the revolution would come to a successful end, and had tried to build up in my mind all kinds of excuses for the evil deeds.

Upon my arrival in the Brigade Committee, I was elected secretary. There was a lot of work to be done and many nights found me at my desk. The Brigade Committee was composed of a pretty fair type of men, and I worked most willingly; but as time went on, every change of personnel of the committee increased the number of members of Bolshevik faith, who finally gained the majority; and it became evident that a resolution would be made expressing confidence in the new Bolshevik government, which shortly got into authority. One could foresee such a pro-Bolshevik resolution, and, to avoid signing minutes in which this resolution would appear, I presented my resignation from the position of secretary. I

did not consider it possible to remain much longer in a committee composed of members with entirely different ideas than mine and to work for a government with the principles of which I did not agree. I thought it best to break off once and forever my relations with any political work and arranged for my transfer to the business office of the Inspector of the Air Service.

In July, 1918, the Germans occupied Trans-Caucasia, and I left the military service and went to my home town, which also was occupied by the Germans at that time. Soon the Germans withdrew their forces, and then began the continuous change of government authority in our city. Some of these governmental methods existed for several months and some only for a few days. It happened that simultaneously the administration of our city was in the hands of two different authorities with a line of demarcation of the two military forces in the middle of the town. Guns and machine-guns were placed along the streets and during the standstill the peaceful inhabitants were permitted to walk to and fro without being molested.

The hardest living conditions existed during the days when the old authority was leaving and the new was being established. No order existed in those days whatsoever. It was very dangerous to go out after sunset and not exactly safe during the day. Robbery and murder were quite usual, but the people got used to cruelty and paid very little attention to a human body lying in the street. Nothing could be bought, as nobody knew what kind of wall paper (called money) would be good in the near future or for how long.

After a few changes of authority, the Bolsheviks occupied Odessa. I understood that they did not like to see people cleanly dressed and wearing collars and neckties, so I got out my old uniform and put it on when going to my work the next morning. But before I reached the gate of the next house, I was stopped by two "reds." They both pulled out their revolvers, and, one walking before me and the other behind, they brought me back into a dark passage of the house where I was living. My mother and sister were just a short distance from the place where I thought I would have to part from this life. Luckily they gave me the opportunity to speak. I showed them my certificate of the Brigade Committee, which, luckily, I had with me. I suppose that the "red" who took it from me could not read at all, because he was holding my certificate up-side-down when looking at it as if reading, but his comrade was not far off and they apparently knew the seal, and after asking me a few questions and accepting me as one of "their own," they let me go.

Such was my very first acquaintance with the Bolsheviks. Another time I was held up by a "red" patrol when going home at night. They brought me to the nearest corner, where I had to join a group of victims, like myself, who had been surrounded by the other half of the patrol. While standing there, I noticed that the bayonet of the gun of one of the patrolmen, which he held "on guard,"

was making some kind of strange motions towards my side and then like teasing me he drew it back again. He kept it up for a while; I could not understand at first the meaning of it, but I soon discovered that most of the patrolmen were heavily drunk and could hardly keep on their feet. I wondered how I would come out of this condition, if at all. After a few more victims were added to our group, we were brought before the "red" commissar. I understood that my certificate of the Brigade Committee would not be of value to me in this instance, as the Commissar, I suppose, knew that the Committees in Trans-Caucasia, at the time when the certificate was issued, were against the Bolshevik government. I had foreseen such possibilities and acquired an identification card from the head office of the South-West Government Railroad, where I was employed. There was an order issued in the "red" army to treat all the Government railroad employees carefully and in a friendly manner. My identification card served its purpose splendidly, and I was released immediately.

The conditions of life changed from bad to worse. A shortage in food supplies was felt, and there was an absence of fuel, and a continued decrease in the value of money. Wages and salaries were increased several times during one month. For example, one started the month with a salary of several hundred rubles and by the end of the month it was increased to several tens of thousands of rubles, and so on.

The fall of 1919 brought the Volunteer Army back to our city, which also failed and had to leave Odessa in January, 1920. I decided there was no reason for me to remain any longer in Russia except to be hanged to the nearest tree which, for some reason or other, had not yet been cut for fuel. I evacuated and went to Constantinople. There I met Mr. Danner, the director of the Odessa branch of the International Harvester Company, who recommended me to his friend, Mr. M. S. Baker, comptroller of the Russian branch, American Y.M.C.A. in Constantinople. There could be written volumes of books about the life of the Russian refugees in Constantinople, and as I know several articles in newspapers and books were published on this subject, I do not consider it necessary to go into detail on this subject. Being employed by the Y.M.C.A., which did a great deal of relief work, I came into very close contact with many of the Russian refugees and am compelled to say that many cases were just heartbreaking. I was glad that the position I held at the Y.M.C.A. gave me the opportunity to contribute my efforts in relief work done for the Russian refugees. I stayed with the Russian branch until it closed in October, 1922, working in the capacity of bookkeeper, cashier, and, finally, business secretary.

After the Russian branch was closed, I was transferred to the American Navy Y.M.C.A. in the same city, where I was in charge of the money-exchange department. The American sailors were usually "shortchanged" by most of the

money exchangers that could be found at nearly every corner of the main streets of Constantinople. To stop this evil, the Y.M.C.A. opened a special exchange department at the Navy Y.M.C.A. Club, and the average exchange done by this department was about \$4,000 a day, in amounts of from \$3 to \$100. The highest amount for a day's exchanges was reached on Christmas eve, when we exchanged about \$9,000 for the day.

In August, 1923, I sailed for America, and our ship got berth in Brooklyn on September 1st. We arrived two minutes too early and, therefore, we came into the August quota, which was practically filled. The question arose whether we would be permitted to go ashore or be sent back from whence we came. Everybody on board the ship who had any relatives in New York pressed upon them, and the wires worked pretty hard at that time between New York and Washington. When we were brought to Ellis Island, no definite answer had been received, and we made ready to go back to our ship, but, finally, after spending a few hours on Ellis Island, our release came and we were allowed to go ashore.

Upon my arrival in New York, I got a temporary position with the Y.M.C.A., which gave me the opportunity to get a little better acquainted in this country and to hunt for a permanent job.

I soon discovered that I was not quite fit for business in this country, and that I must take some steps to develop myself and to specialize in a certain capacity. Mr. Wm. G. Schram, comptroller of the Overseas Division Y.M.C.A., advised me to take up a course in Accountancy and Business Administration at Pace Institute, and so I did. Now I am about half way through this course and am looking forward impatiently to the time when I shall complete the course and be entitled to call myself a graduate of the Institute.

Credit Bodies' Organization Against Fraud

A REPRESENTATIVE group of credit men have been appointed to a committee organized for the proposed campaign against bankruptcy and commercial frauds which is to be carried on by more than twenty trade and credit organizations in New York City.

The initial meeting of this organization committee, which consists of two official representatives from each of the organizations cooperating in the movement, was held on November 12, at two o'clock, in the rooms of the Silk Association of America.

Much of interest to those affected by commercial frauds in the textile industry was discussed at the first meeting. Plans were made for more thorough cooperation in the future.

The Crime Tendency

The American Institute of Accountants, through its Committee on Public Affairs, combats rising tide of financial crime.

THE Committee on Public Affairs, seeking always to make fully available for public purposes the technical and other resources of the American Institute of Accountants, finds no public problem of greater moment than that created by the present crime tendency.

A popular but erroneous idea is that the so-called crime wave expresses itself solely in street banditry. The armored car, with guards and arsenal, is a common sight in the most fully policed streets in the country—streets in which a few years ago unarmed messengers and citizens transported money and securities without danger of molestation. Cashiers in every type of factory and small retail establishment have been held up—in many instances, they have been wounded or killed. Crimes of a fantastic and fiendish character are not unusual. We are obliged to accept, for the time being at least, a medieval condition with respect to crimes against property and person. No one is unfamiliar with this expression of the crime wave.

The fact that the crime tendency is expressing itself with equal force in financial and office affairs, however, is not so commonly known or understood. Accountants are cognizant, by reason of their work as auditors, of this abnormal crime tendency—a tendency that results in an increased number of embezzlements, forgeries, credit frauds, and stock frauds. These crimes do not have the spectacular features of crimes of violence and therefore receive less publicity. Few people, even business men, comprehend the present conditions or the increased hazards that everywhere exist with respect to funds in the custody of subordinates or agents and with respect to transactions based upon credit and other representations.

This Letter-Bulletin, the second in a series dealing with matters of current public interest, has been prepared and is being distributed for the purpose of combating this crime tendency. It is the belief and hope of the accountants of the country that the dissemination of the facts, together with constructive suggestions, will help to restore normal conditions as regards fiduciary relationships and representations made for credit and other business purposes.

Generally speaking, losses from financial crimes result from forgery, embezzlement, and financial misrepresentation—crimes that are not ordinarily associated with violence. These losses from financial crimes cannot be guarded against to any appreciable extent by armed guards or steel vaults, and even the detection of such losses is often a matter of difficulty. The prevention of losses depends principally upon the use of procedures and office appliances and upon the making of audits, which discourage embezzlement, forgery, and financial misrepresentation.

Professional accountants are everywhere extending help of this kind—they

are constantly engaged in making audits that tend to discourage or that lead to the detection of commercial fraud; and, of even more consequence, they are often engaged in devising and installing measures for preventing fraud and other irregularities. Because of these activities, the accountants of the country are exceptionally qualified to make facts available and to suggest remedies to the public that will aid in correcting the present alarming condition.

First of all, and briefly, the startling facts with respect to the increase that has taken place in office crime within the last few years will be stated.

Losses from Financial Crimes

The total annual losses from financial crimes has been estimated by fidelity and surety company officials to amount each year in this country to the stupendous total of three billion dollars—a sum comparable to the value of the entire annual imports of the nation. More than one-half of these losses are of especial interest to practising accountants because of the relation that their work bears to the prevention and detection of the losses. These losses, amounting to \$1,600,000,000, are as follows:

Losses from embezzlements and forgeries	\$ 200,000,000
Losses from credit frauds	400,000,000
Losses from stock frauds	1,000,000,000

The estimates, particularly with respect to credit frauds and stock frauds, are broad approximations. The Postmaster General of the United States estimates that frauds perpetrated by mail (not all necessarily stock frauds) amount to a billion dollars a year. The National Association of Credit Men estimates, on a conservative basis, that the losses from credit frauds, including fraudulent insolvency and bankruptcy cases, amount to \$160,000,000 a year. In any event, the losses from credit frauds and stock frauds are tremendously large—so large, in fact, as to constitute a menace to the prosperity of the general community.

The total of the estimated annual losses from embezzlements and forgeries is divisible about equally between the two classes of crime—approximately \$100,000,000 of losses result from embezzlements and approximately \$100,000,000 of losses result from forgeries. One surety company, in fact, places the annual losses from embezzlements alone at \$125,000,000 a year. The estimate of \$200,000,000 of losses for both classes of crime is accepted as a conservative estimate for the purposes of this Letter-Bulletin.

The Increase in Fidelity Losses

The term "fidelity" is used to describe the bonds provided by fidelity and surety companies to indemnify employers against losses arising from dishonesty on the part of employees. These losses are

usually due to the crimes of embezzlement and forgery, and amount to the stupendous annual aggregate before stated—\$200,000,000.

The following succinct record of fidelity premiums and losses for the past seven years—1917 to 1923, inclusive—is taken from The Argus Casualty Chart, an official insurance publication issued by The National Underwriter Company:

Year	Fidelity Premiums	Losses Paid	Loss Per Cent. of Premium
1917	\$10,098,065	\$2,485,673	25
1918	11,242,804	3,156,233	28
1919	14,707,840	4,637,153	32
1920	18,074,137	4,968,325	27
1921	27,136,477	11,544,250	43
1922	24,590,510	9,373,856	38
1923	29,071,164	9,873,881	34

In a note concerning these figures, the publishers state that some companies report surety business with fidelity, and vice versa. The figures are believed to be the most accurate obtainable.

The increase in the percentage that the losses bear to the premiums received shows a startling upward tendency. In 1917, the companies paid back to insurers—in reimbursement of losses—25 cents out of each dollar received in premiums; in 1921, 43 cents, an increase of 72 per cent. The year 1923 shows a reduction in the percentage returned. This reduction, however, may be due, in whole or in part, to the more careful selection of risks by the companies, induced by the heavy increase in losses. In any event, the increase in the percentage of losses over the seven-year period is convincing evidence that the crime tendency is expressing itself in office crimes.

The above figures represent the combined experiences of the companies insuring against fidelity losses. The result as to ratio of losses to premiums in a particular company, of course, is likely to vary from the average. One company reports a ratio in 1921 of 31.4 per cent; in 1922, of 43.5 per cent; and in 1923, of 36.5 per cent. The year 1923, it will be noted, still remains high in comparison with 1917. The conditions are tersely and forcibly expressed by one of the large surety companies under date of June 16, 1924, which stated, "the Company is today handling twenty-five fresh defalcations every working day as against thirteen two years ago."

The public paid to the forty-five surety and fidelity companies, in 1923, as shown above, \$29,071,164 in fidelity premiums. Notwithstanding the fact that the business of the companies has increased rapidly, the coverage of the business community is far from complete. If the estimate of aggregate losses is substantially correct, it is evident from the tabulation above given that not more than five per cent. of the losses is covered

by fidelity bonds. The public as a whole sustains every dollar of the losses incurred, including the cost of the operation of the insurance companies. The return of part of the premiums received operates to protect the particular individual or business organization from disastrous loss—a most desirable thing to be sure—but it does not relieve the business community as a whole from any part of the loss.

The prevailing tendency was forcibly brought out by Mr. B. J. McGinn, manager of the Claim Department of the American Surety Company, in a recent address to accountancy students. Among other things, Mr. McGinn said:

"There is much fraud and dishonesty practised today. It is not confined to any particular locality; it is universal, and, according to the statistics of the American Surety Company, there are more defalcations at the present time than at any other time in the history of the Company, dating back over a generation. In the early part of this year I had occasion to make a survey of the claims presented against my Company for the preceding year, and the result led to the conclusion that the majority of losses were chargeable against young men. A further analysis indicated that these young men had been reared with little, if any, moral training, and in a moment of temptation were too weak to resist. During the past six months a decided change has apparently taken place, at least the defaults reported to us have, in the main, been committed by older men—men who, because of their age and experience, should have known better, and who should have had a full realization of the penalty for their unfaithfulness to their trusts.

"These statements, however, are purely academic in so far as a talk such as I am supposed to give you men is concerned, except that they will serve to show that proper safeguards are to be provided so that men in all walks of life will be immediately detected in any effort they may make to steal or embezzle the money of their employer. This is no simple task; for no matter how complete or comprehensive may be a particular accounting system, you may rest assured that an employee who sets out to steal his employer's money will invariably find the weaknesses of the system. The ingenuity displayed by defaulters is astonishing, and it often makes one marvel what wonderfully successful men these fellows would be if they applied their talents along proper lines. It is, therefore, a constant battle of the wits of the accountants and systematizers against the scheming dishonest employee."

Figures are not available to show the increase that has taken place in losses from credit and stock frauds. It is certain, however, that during the last few years these losses have greatly increased, despite the extraordinary efforts that have been put forth by legislatures, by prosecuting officials, by credit men and bankers, and by civic organizations on behalf of investors and the business public.

An abnormal crime tendency undoubtedly exists—a tendency which im-

poses stupendous and unnecessary losses upon the producing members of the community, and which strikes at the very foundations of society. Every right-thinking citizen, particularly every citizen who is technically trained with respect to financial affairs, should immediately do what he can to stem the rising tide of crime.

(To be continued)

Visualization in Classroom Teaching

EXTENDED experimentation has been made by Pace Institute in methods of visualization in classroom teaching. As a result of these experiments, made by Homer S. Pace and Charles T. Bryan, many thousands of stereopticon slides have been prepared, many of them based upon original drawings. A large number of these slides are used regularly in the instruction of the advanced semesters of Pace Institute.

From time to time, calls have come from associations of teachers in various parts of the country for a demonstration and explanation of the unique methods used in the Institute. Sometime since, for example, Mr. Pace addressed the headmasters of the Boston public schools at a special dinner given at the City Club in Boston. As a result of the talk, several of the procedures described, including the use of field trips as an aid to classroom instruction, have been adopted in the Boston High School of Commerce.

Mr. Pace and Mr. Bryan received recently an invitation from Miss Grace Helene Miller, of the New York Society for the Experimental Study of Education, to speak before the Commercial Section of that society on the subject of "Visualization in Teaching." Accordingly, the matter was presented to a large audience assembled in the Washington Irving High School, on Friday evening, November 14th. The number in attendance included Dr. Belding, C.P.A., who is in charge of commercial education for the entire city of New York. After the presentation, there was a question-and-answer session, which developed many matters of interest.

MARTIN VAN BLARCOM announces the removal of his law office from 12 Gold Street to 140 Nassau Street. Mr. Van Blarcom is a member of the law faculty of Pace Institute, New York.

JOHN C. McDERMOTT, of the law faculty, Pace Institute, New York, announces the removal of his law offices from 27 William Street to 130 West 42d Street, New York City.

COLA SANFORD PECK and **HENRY ZUCKERMAN**, C.P.A.'s, announce the removal of their offices to 256 Broadway, New York City.

PATRICK J. MOYNIHAN, A.B., C.P.A., announces that on and after November 1, 1924, his office for the practice of professional accountancy will be located in the Park Square Building, Boston, Mass.

Major Jerome Lee Nicholson

MAJOR Jerome Lee Nicholson, of J. Lee Nicholson and Company, and founder of the J. Lee Nicholson Cost Accounting Institute, of Chicago, died very suddenly in San Francisco on Sunday, November 2, at the age of 62. This simple statement of the passing of a leader in the profession of accountancy will bring sorrow to his professional co-workers and to his host of friends in the business world. "J. Lee" as we all knew him, has finished his work. He accomplished much, and his good works live after him.

Mr. Nicholson's life was one of self-development and progress from a very modest beginning to highest rank in the profession of accountancy—a life that should furnish inspiration to every young man and young woman seeking success. Mr. Nicholson, although born in the South, early went to Pittsburgh, where he received a common-school and business-college education. While still young, he found it necessary to get a job and earn his own living.

Starting as office boy for the Keystone Bridge Company, he soon won promotion to the engineering department. In this department his duties consisted in making out shop bills and in drawing up sketches and plans that were used by the foreman and the superintendent of the company. It was in this department that Mr. Nicholson found his life work, for it was here that he developed his first liking for cost accounting—a branch of accounting in which he specialized and in which he rendered very effective service to hundreds of business organizations, to the government during the war period, and to thousands of students of accountancy.

During his spare time, Mr. Nicholson studied accountancy; and when the opportunity came to him, he accepted an accounting position with the Pennsylvania Railroad Company. His duties consisted in calculating the cost of water used in the tenders of locomotives throughout the Pennsylvania Railroad System. He served in this position for a year, and, in 1885, came to New York, where for two years he acted as bookkeeper and later as salesman for a business organization.

Mr. Nicholson had long had in mind entering the professional practice of accountancy on his own account; and, in 1889, he started practice under the name of J. Lee Nicholson. Later, he found it advisable to take in other accountants as partners, and the firm name was changed to J. Lee Nicholson and Company. Mr. Nicholson and the firm of which he was the senior partner have rendered invaluable accounting service to a large number of business organizations, particularly to manufacturing organizations in the development of cost systems and procedures.

During the war period, the Government had need for Mr. Nicholson's services. He served, first, with the Federal Trade Commission and, later,

was commissioned a major in the Ordnance Department. In the latter department, by reason of his expert knowledge of costs, he rendered very important service to the Government in the clearing up of cost-plus contracts that were executed during the war.

Mr. Nicholson took an active interest in accountancy societies. At the time of his death, and for more than twenty years previous, he was a member of the New York State Society of Certified Public Accountants, and for several years served as its First Vice President. He was formerly a member of the American Association of Public Accountants, and at the time of his death was a member of the American Institute of Accountants, the successor organization to the American Association of Public Accountants. In 1919, he called the meeting in Buffalo from which resulted the National Association of Cost Accountants, which at present is doing noteworthy work in the field of cost accounting. The founding of the Association was Mr. Nicholson's idea, and it was principally through his efforts that it was formed. This great Society, so long as it endures, will bear evidence to the constructive thinking of Mr. Nicholson.

In the field of education, Mr. Nicholson rendered a great service. For many years he lectured at Columbia University on Cost Accounting; and several years ago, he established in Chicago the J. Lee Nicholson Cost Accounting Institute, the only school in the country, so far as we know, devoted exclusively to the teaching of cost accounting. Mr. Nicholson was always interested in educational activities, and large numbers of students have profited by his excellent advice and instruction. In 1917, he stated his views on this subject to the Editor for publication in THE PACE STUDENT—views that may well be repeated here:

"The big need of today in Business is for young men who are capable of making correct decisions on business matters. Present conditions being what they are, this ability can be and must be largely developed by means of the study of subjects which bear upon and reflect the promotive and executive aspects of Business as it is carried on throughout our country today."

Mr. Nicholson was, in addition, a writer and speaker on Cost Accounting. He is the author of numerous articles on this subject that have appeared in trade publications from time to time; and he has written several books on Cost Accounting, which have found favor as textbooks and reference books in schools and colleges teaching accountancy.

Mr. Nicholson was an untiring worker, even under the handicap of failing health. When his health failed him, he went to California for a rest, but he immediately became active and established an office for the practice of industrial engineering in Los Angeles and later another office in San Francisco.

Mr. Nicholson will long be remembered as an able practitioner of his chosen profession, as a tireless worker for its elevation to the plane of the older

professions, and as an author and teacher whose writings and teachings have paved the way to success and happiness for many an ambitious young man and young woman. His death was a great shock to the members of the profession which he so ably served and to countless business organizations and students who have benefited by his work and teaching.

Accountancy Definitions

THE readers of THE PACE STUDENT will, no doubt, be interested in recent correspondence between Mr. H. C. McJilton, of Baltimore, and the Editor of THE PACE STUDENT. Mr. McJilton's letter follows:

"Please differentiate the following terms: *theory of accounts*; *theory and practice of accounts*; *applied theory of accounts*; *principles of accounting*. I think this differentiation would be of interest to all readers of THE PACE STUDENT."

In reply, the Editor wrote as follows:

"A well-accepted definition of *theory* (Standard Dict.) is, 'a body of the fundamental principles underlying any science or application of a science.' There is also a more general use of the term for the purpose of referring to any rational statement or explanation of observed facts.

"When used with respect to accounting in the phrase *theory of accounts*, it is intended to describe the principles to which accepted accounting procedure conforms. For example, it is a principle of double-entry procedure that for every fund of values, there is an accountability that exactly equals the amount of the fund. This accountability runs, first, to creditors, if there are obligations that are to be met out of the fund; and, secondly, to the owner or owners of the fund. If no debts exist, the entire accountability is to owners. The statement and explanation of this essential principle of double-entry is a matter of theory.

"The term *practice*, when used in the phrase *theory and practice of accounts*, refers to the actual procedure carried out in the keeping of accounts, as distinguished from the statement and elucidation of the theory on which the practice rests. The term *art* is sometimes used instead of the word *practice* for a similar purpose, particularly among teachers, who often refer to the *theory and art of teaching*.

"The term *applied theory of accounts* is used, no doubt, to refer to the practical application of principles. The term is sometimes used to describe the analysis and study of accounting procedures with respect to the theoretical principles involved. The term to my way of thinking is a bit obscure by reason of lack of general acceptance; and I, therefore, seldom use it. The Institute uses the term *applied* in conjunction with *economics* to indicate a distinc-

tion between general academic treatment of the principles and the specific applications of the principles in business organization and practice.

"The term *principles of accounting* is used to indicate the body of well-accepted generalizations to which sound accounting procedure conforms. A particularly important principle has already been cited. Among others, could be mentioned various principles with respect to the valuation of assets for the purpose of recording and stating financial transactions and various principles relating to the construction of accounting records. Many principles with respect to accounting remain to be discovered and stated."

Day School Lecture

A HIGHLY interesting lecture was delivered to the Day school assembly, Pace Institute, New York, on November 10th, by H. J. Carroll, manager of the Lecture Bureau of the New York Telephone Company.

Mr. Carroll took "Service" as the basic theme of his talk. He discussed, in a very interesting manner, service from the viewpoint of the telephone company and the different ways in which the word "service" may be interpreted for general business use by the subscriber.

He likened the person who calls on the telephone to the "business guest" who makes a personal call at the offices of the organization. Mr. Carroll especially emphasized the necessity of the same expression of courtesy on the telephone as would be extended a visitor if he were calling in person.

Mr. Carroll pointed out the need for proper enunciation and modulation of the voice in talking over the telephone, and he demonstrated the proper methods of receiving and completing a telephone call.

In addition to giving the instructive points of information pertaining to the proper use of the telephone, Mr. Carroll gave some very interesting historical data on the past success of experiments by Alexander Graham Bell about forty-eight years ago. He demonstrated the points with reproductions of the original model of the first successful telephone.

Mr. Carroll's address was interspersed with bits of humor which added to its interest.

LYBRAND, ROSS BROS. & MONTGOMERY, accountants and auditors, members of the American Institute of the American Institute of Accountants, announce that Mr. Accountants, announce that Mr. George F. Bauer, certified public accountant, heretofore connected with their New York office, will be associated with Mr. Richard Fitz-Gerald, certified public accountant, in the management of their Detroit office.

PAUL G. BURROUGHS, of the law faculty of Pace Institute, New York, has recently moved his law offices from 30 Church Street to 140 Nassau Street.

The Tabular Ledger

(Continued from Page 20)

The question of reconciliation arises when, in making up monthly statements, it is desired to present the balance of accounts receivable from guests, if the tabular ledger week (assuming the week is used) does not coincide with the end of the month. The reconciliation is most conveniently effected by abstracting, after the last entry, debit or credit, under date of the expiring month, and before the entry of items under date of the succeeding month, a list of the balances as they appear in the detailed accounts. The total of this list of balances should be in agreement with the balance of the control account as at the month-end. If this procedure is not followed, it will be apparent that the balance of the control account will usually be a different amount from the summary of the balances of the detailed accounts as at the last day of the week in which the month-end occurs. Since the general accounting records are kept on a monthly basis, the control account figure governs, and it becomes necessary to adjust the summary balance of the detailed accounts to the proper figure to effect the reconciliation. This step may be carried out in two ways, and it is a desirable procedure to employ both as an additional check in case of doubt.

The first method involves the ascertainment of the total of the entries for cash credits to the control account subsequent to the close of the accounting period, up to and including the date of the close of the tabular ledger week, by reference to the cash receipts records; this figure, added to the net balance of the recapitulation of the detailed accounts (if this net balance is a debit—if it is a credit, the net balance is deducted from the figure obtained), and taking into consideration adjusting journal entries, will give the balance of the control account. The second method also involves securing information as to cash credits subsequent to the end of the accounting period, but from the detailed tabular ledger accounts instead of from the general books. An adding machine total is secured of all credits entered in the Credit column of the tabular ledger for the overlapping week from cash receipt tickets dated in the succeeding accounting period; this total, added to the summary of the week-end balances in the recapitulation, will give the balance of the control account. By reason of the fact that the adjustment and reconciliation will invariably effect a reduction in the credits to guests' accounts, and since the charges are entered in guests' accounts in advance, the resultant balance will be a debit, recording an asset, which will appear upon the balance sheet as Guests' Accounts Receivable.

Adjustments

Comment has previously been made upon the importance of keeping in mind

the fact that the tabular ledger is a subsidiary ledger record, containing detailed ledger accounts which differ in form only from the standard ledger account, and which are subject to reconciliation with a bookkeeping control account. In the following consideration of the various adjustments which are from time to time required to be made in tabular ledger accounts, this attitude of mind is essential.

Entry of Charge Later Determined to be an Overcharge, Either in Whole or in Part: An overcharge, arising through error or from other causes, will result, if the payment made by the guest is in the amount which should have been charged, in a debit or black-ink balance in the Balance column, unless a correcting entry is passed before the balance is set down. The entry required to correct the effect of such an overcharge, whether in a current period, so that the correct balance may be brought forward, or at a time when an incorrect balance has been brought forward from a previous period, is as follows:

MEALS SERVED	\$xx
ROOM RENTALS	xx
MISCELLANEOUS (Posted in Detail) ..	xx
To TABULAR LEDGER CONTROL	\$xx
To correct overcharge in tabular ledger in account of, week ended 19.., by reason of	

Detailed posting of the credit effect of the entry is made in the Credit column in the tabular ledger; reference is made to "J. E. No."

The necessity for making journal entries to correct errors in the current period may be avoided if the Charge column totals are not entered or posted until the end of the week. In this case, a reduction of an overcharge is accomplished by inserting a red-ink entry in the amount of the adjustment in the Charge column immediately above the erroneous charge, in order to reduce the column footing. The use of the journal entry is recommended, however, for the value of the audit control it affords over adjustments in guests' accounts. In no case should the figures in the original entry of the charge be erased or changed.

Entry of Charge Later Determined to be an Undercharge: The effect of entry of an undercharge, if the correct amount is collected from the guest, will be reflected in the determination of an erroneous credit balance in the guest's account. If the fact is discovered in the current period, simply entering the additional amount in the Charge column will effect the proper adjustment. If column footings for the current tabular ledger period have been inserted, the additional amount may be added to the charge for the succeeding period, provided the succeeding tabular ledger

period is in the same accounting period as that in which the undercharge occurred.

If the tabular ledger accounts have been closed and the balances carried forward as at the end of the accounting period, and it is desired to bring into the income accounts of the current period the adjustment for income earned but not charged for, entry is made as follows:

TABULAR LEDGER CONTROL	\$xx
To MEALS SERVED	\$xx
ROOM RENTALS	xx
MISCELLANEOUS (Posted in Detail)	xx
For income for current period, not entered in tabular ledger, as follows: (Show details)	

Detailed posting of the charge is entered in red ink in the Credit column of the tabular ledger under the week in which the journal entry is made, and is identified by reference to "J. E. No., as at 19.." This procedure is followed to avoid having the adjustment affect the total of the Charge column, used as a basis for securing totals of income for the succeeding period.

If payment is made in the same tabular ledger period as that in which the adjustment is passed, entry of the credit for payment is made in black ink in the Credit column in the usual course and offsets the charge; if payment is not made, a balance is carried forward. Reconciliation of the control account with the detail will be effected during the period between the date as at which the adjustment is made and the date of the actual adjustment in the tabular ledger. Proper notation of the cause for the difference, with reference to the adjusting journal entry, will avoid complication.

Adjustment for Refund of Amount Charged for and Collected and Determined to be Returnable: The fact that the necessity for a refund of amounts paid in past periods exists is prima facie evidence, in the ordinary course, that an overcharge has been met by a payment in a corresponding amount by the guest. Since this is so, no erroneous balance will exist in the tabular ledger, and the adjustment will therefore affect the income accounts only. The theoretical entry for a refund is as follows:

MEALS SERVED	\$xx
ROOM RENTALS	xx
MISCELLANEOUS (Posted in Detail) ..	xx
To CASH	\$xx
For refunds to guests, month of 19.., as follows: (Show details).	

As a matter of practice this theoretical entry to the credit of Cash is made in the check register, either for a check issued to the guest or guests for the refund, or for the petty cash reimbursement check if the refund was made from petty cash.

Adjustment for Refund of Amount Paid in Advance: Differing from refunds of past overpayments, refunds of advance payments determined to be refundable do affect balances in ex-

istence in the tabular ledger; for this reason, the entry for adjustment must be made in both control account and subsidiary record, as will be seen from the following entry:

TABULAR LEDGER CONTROL.....	\$xx
To CASH.....	\$xx
For refunds of advance payments by guests, month of 19.., as follows: (Show details).	

As in the case of the previous entry, this theoretical entry will also be made as a matter of practice in the check register, either for a check payable to the guest or for the petty cash reimbursement check. Detailed posting of the debit effect upon the guests' accounts, in reduction of credit balances, is made by the entry in red ink in the Credit column (so as not to distort the footing of the Charge column, from which income account figures are obtained) of the amount refunded; reference is made to "J. E. No....."

Adjustment for Removal from One Room to Another, During Tabular Ledger Period: The accounting complication incident to removal from one room to another can sometimes be avoided by permitting removals at the end of the tabular ledger period only. If this is not feasible or desirable, the necessity for adjustment will result from the duplicate entry of charges for a single service—entry of the charge for the full period against the room originally occupied, and entry of the charge for the portion of the period after removal against the room into which transfer is made. This duplicate entry of the charge is desirable in furtherance of the audit procedure, and a change made during a period should not be permitted to appear in the tabular ledger as a change at the end of the period, by allowing the original charge to stand without adjustment. The adjustment is made as follows:

MEALS SERVED.....	\$xx
ROOM RENTALS.....	xx
MISCELLANEOUS (Posted in Detail).....	xx
To TABULAR LEDGER CONTROL.....	\$xx
To adjust nominal accounts and control to nullify effect of duplicate entry of charge against, removed from Room to Room, 19....	

The portion of the charge applicable to the room into which the transfer is made forms the basis of the above entry in the control account and is also the amount chargeable against the guest under the room number into which the removal is made. Posting of the credit from the cash receipt ticket is split in accordance with the division of the charge.

The necessity for making journal entries for this type of adjustment may be avoided if the Charge column totals are not entered in ink or posted until the end of the week. In this case, a reduction of the duplicate charge is accomplished by inserting a red-ink entry in the amount of the second charge in the Charge column immediately above

the first charge for the full period, so as to reduce the column footing. The use of the journal entry is again recommended, however, in furtherance of complete audit control over adjustments in guests' accounts.

Adjustment for Removal from One Room to Another, with Balance in Account: The account of a guest who moves from one room to another at the end of a tabular ledger period may contain a balance, either debit or credit, which must be transferred to the guest's account on the line for the room into which removal is made. This transfer is best accomplished by an entry as follows:

TABULAR LEDGER CONTROL.....	\$xx
(Room No.)	
To TABULAR LEDGER CONTROL.....	\$xx
(Room No.)	
For transfer of balance of account of from Room No. to Room No., as of 19....	

If a debit balance exists, the detailed posting of the credit is made in the Credit column of the succeeding period against the existing balance, and the detailed posting of the charge is entered in red ink in the same Credit column against the guest in the room into which removal was made. If a credit balance exists, the detailed posting of the charge is made in the Credit column of the succeeding period in red ink, in order not to distort the figures used for arriving at credits to income accounts, and the detailed posting of the credit is entered in the same Credit column to the credit of the guest in the room into which removal was made.

The necessity for the journal entry may be avoided if an existing balance is offset by a red or black ink figure in the Balance column and re-entered against the guest in the room to which the account has been transferred. The use of such a procedure, if both debit and credit entry are made on the same page, will not disturb page footings or balances. Should the debit and the credit appear on different pages, the balance of each page will be affected to the extent of the adjustment, for the current period only. The discrepancy will work itself out in the recapitulation of page totals, and will not affect page balances for future periods. Preferred practice dictates the use of the journal entry, for audit and control purposes.

Adjustment for Transfer of Uncollectible Balance to "Suspense": In cases where a guest has given up residence and a debit balance remains in the guest's account, the amount may be carried forward in the account even after the guest has departed, if there is a reasonable expectation that collection will be made. In order to avoid the necessity of so carrying forward balances from period to period for an undue length of time, the items are transferred to a special section of the tabular ledger, ruled in ordinary ledger account form, or to some other record, in a "Suspense" account, where they are held awaiting such final disposition as may be deter-

mined upon. A journal entry is passed upon the general books, thus:

TABULAR LEDGER SUSPENSE CONTROL.....	\$xx
To TABULAR LEDGER CONTROL.....	\$xx
For transfer of doubtful items, as per list below, from current tabular ledger to Suspense account: (Show details.)	

Detailed posting of the credit is made in the Credit column in the tabular ledger, the number of the journal entry being indicated.

Circumstances may arise which will result in the existence of a credit balance in the account of a guest who has departed. If it is not possible to effect a refund immediately, this credit balance may also be transferred to Suspense, by an entry as follows:

TABULAR LEDGER CONTROL.....	\$xx
To TABULAR LEDGER SUSPENSE CONTROL.....	\$xx
For transfer of credit balance in account of Room No., from current tabular ledger to Suspense account.	

Detailed posting of the charge is made in red ink in the Credit column in the tabular ledger, and reference is made to the journal entry number, as before.

Adjustment for Change of Rate of Charge: Changes in the rate charged for service are usually made at the most convenient time, with due regard to individual circumstances—that is, at a given week-end, or month-end, or upon the arrival of a new guest. No accounting adjustment is necessary, therefore, unless a further complication follows upon the change of rate; common procedure is to strike out the old rate in the Rate column, and to insert the new rate, with the date of change. Changes and dates of changes should be closely supervised in the internal audit procedure.

Adjustment for Credit by Reason of Allowance: Circumstances sometimes arise under which guests are credited for special items other than payment, such, for instance, as a possible "split" of the credit arising from amounts received for transient accommodations in permanent guests' rooms during their temporary absence. Sound accounting procedure dictates that the statistical value of the income accounts be not destroyed; the agreed charges are entered against both transient and permanent guest, and adjustment is made in the Credit column in the tabular ledger and in a special account for the allowance, thus:

ALLOWANCES TO GUESTS FOR TRANSIENTS ACCOMMODATED.....	\$xx
MISCELLANEOUS (Posted in Detail).....	xx
To TABULAR LEDGER CONTROL.....	\$xx
For allowances made to guests as follows: (Show details).	

Posting of the detailed credit effect is made in the usual way, reference to the journal entry number being indicated.

Accounts for Deposits

It is a common practice to require a deposit if reservation is to be made of transient accommodations. This deposit is usually of a nominal amount, and is credited to the account of the guest when charge is made for the accommodations used. If sufficient notice is given that the reservation will not be taken up, the deposit may be returned; if no notice is given, the deposit is forfeited.

Money received for deposits is accounted for by the issuance of a cash receipt ticket in the usual manner. The original of the cash receipt ticket is given to or held for the prospective guest; the duplicate forms the basis for an entry to the credit of the prospective guest, either on a formal ledger card, or upon a blank of a special color to indicate the reservation, upon which will be recorded simply the name and address of the guest, the date for which reservation is desired, the date reservation is made, and space for the number of the room assigned. The cards are filed in chronological order, are removed at the proper time, for the assignment of rooms by the person charged with that responsibility, and may be used, upon arrival of the guest, for a record of room

occupants at the telephone switchboard, or for other like purposes. The duplicate receipt tickets are also entered in summary, along with the receipt tickets for cash from all other sources, in the cash receipts book, and effect a debit to Cash and a credit to Deposits Control account. Reconciliation is made at periodic intervals to determine agreement of the balance of the control account with the detailed balances shown on the card accounts.

When the guest arrives and pays for the cost of accommodations, reference to the deposit card indicates the amount of the deposit, and notation of the amount is entered upon the cash receipt ticket. The amount of cash shown as received is the actual amount paid at the time of arrival, the deposit having been receipted for previously. When posting of the cash receipt ticket bearing notation of a deposit applied is entered by the person in charge of the transient record, the deposit is entered as a credit item separate from the actual payment, and is so carried to the daily recapitulation of transient accounts. The total amount of deposits applied daily, as ascertained from the credit column on the recapitulation sheets, is summarized, and at periodic intervals forms the basis for an entry as follows:

DEPOSITS CONTROL ACCOUNT	\$xx
To TRANSIENT GUESTS LED.	
GER CONTROL ACCOUNT	\$xx
For deposits applied, period from	
19.. to	19..

When a refund of a deposit is made, the receipt secured from the prospective guest, attached to the voucher in support of a petty cash reimbursement check, if refund was made from petty cash, or the check issued to the prospective guest, if refund was made by check, forms the basis for an entry in the check register effecting a debit to the Deposits Control account and a credit to Cash. Detailed entry of the refund is made on the deposit card, and the card is removed from the current file.

If deposits are forfeited, notice is given by the person in charge of room assignments to the general bookkeeper daily; memorandum of forfeited deposit is kept, and at periodic intervals forms the basis of an entry as follows:

DEPOSITS CONTROL ACCOUNT	\$xx
To INCOME FROM DEPOSITS	
FORFEITED	\$xx
For deposits forfeited, period from	
19.. to	19..

The credit balance appearing in the Deposits Control account at the end of the accounting period will appear upon the balance sheet as a liability.

Registration for January classes in Accountancy and Business Administration is now under way in Pace Institute in New York, Newark, Washington, and many other schools using the Pace Course. Pace Institute of New York, in addition, an- nounces January classes in—

Public Speaking;

English;

Special Accounting for Women

Pace Institute of New York also conducts Extension (correspondence) instruction in Accountancy and Business Administration for the benefit of students who cannot enroll in a resident school. Enrollment may be made at any time.

Application should be made now for opening dates of classes and for detailed information. Early registration is desirable to assure a class reservation. January is a favorable time to begin your study program. Arrange the details as early as practicable.

Pace Institute

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